

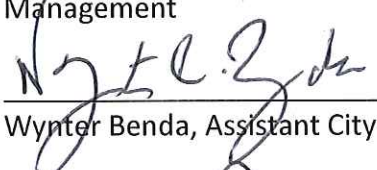


To the Honorable Council
City of Norfolk, Virginia

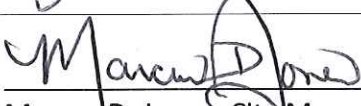
May 20, 2014

From: Sabrina Joy-Hogg, Assistant City Manager
and Director of Budget and Grants
Management

Subject: Deferred Retirement Option
Program (DROP)

Reviewed: 
Wynter Benda, Assistant City Manager

Ward/Superward: Citywide

Approved: 
Marcus D. Jones, City Manager

Item Number: **R-10**

I. **Recommendation:** Adopt Ordinance

II. **Applicant:** City of Norfolk

III. **Description**

This agenda item includes an ordinance to amend the code of the City of Norfolk, establishing a Deferred Retirement Option Program (DROP) for sworn police officers and sworn fire officers. The DROP will allow police and fire officers who choose to participate to receive a portion of their retirement benefits while continuing to work for the city, for a maximum of four additional years of service. During the DROP period, participants receive 70 percent of their retirement benefit in an account which is payable as a lump sum upon retirement. The employee's retirement benefit is based upon the salary and service time attained by the employee at the time he or she enters the DROP program. Election by an employee to enter the DROP is voluntary and irrevocable. At the end of the DROP period, the employee must terminate employment with the city.

IV. **Analysis**

A DROP was a benefit which had been sought by city police and fire personnel for a number of years. The challenge to creation of the DROP was in finding a plan which was beneficial to these employees while retaining the actuarial integrity of the retirement fund.

During FY 2014, the city reviewed various DROP proposals with its retirement fund actuary, as well as a second actuary. Both actuaries examined impacts based upon projected retirement age for employees in a DROP. To balance the impact of the projected retirement age with actuarial projections, the City of Norfolk's DROP will have a four year limit per

employee, will pay 70 percent of retirement benefit, and will not accrue interest. After January 2015 implementation, regular review of the program will take place to ensure long-term sustainability of the program and the retirement fund.

V. Financial Impact

The DROP has been structured in a way to be close to cost neutral. See analysis section.

VI. Environmental

N/A

VII. Community Outreach/Notification

Public notification for this agenda item was conducted through the City of Norfolk agenda notification process.

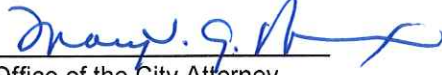
VIII. Board/Commission Action

N/A

IX. Coordination/Outreach

This letter has been coordinated with the Office of Budget and Grants Management, the Department of Finance, and the City Attorney's Office.

Form and Correctness Approved

By 
Office of the City Attorney

Contents Approved:

By 
DEPT. Finance

NORFOLK, VIRGINIA

ORDINANCE No.

AN ORDINANCE TO AMEND AND REORDAIN THE CODE OF THE CITY OF NORFOLK, 1979, BY ADDING A NEW SECTION 37-84, **SO AS TO** ESTABLISH A DEFERRED RETIREMENT OPTION PROGRAM ("DROP") FOR POLICEMEN AND FIREMEN.

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BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That the Code of the City of Norfolk, 1979, is hereby amended and reordained by adding a new section thereto numbered 37-84 to read as follows:

Sec. 37-84. Deferred Retirement Option Program.

- (a) *Eligibility.* Any policeman or fireman member in service who has attained his normal service retirement age may elect to participate in the Deferred Retirement Option Program ("DROP"). In order to participate in the DROP, the policeman or fireman member must submit a written application to the Retirement System office not less than thirty (30) days nor more than ninety (90) days before he desires to be retired under the DROP.
- (b) *Effects of Participation.* Upon approval by the board of the policeman or fireman member's application to participate in the DROP, the policeman or fireman member will be considered to be a retired member for all purposes related to the Retirement System. Participation in the DROP is irrevocable. No retirement allowance will be paid directly to the policeman or fireman member during the duration of participation in the DROP ("DROP period"), however, seventy (70%) percent of the policeman or fireman member's monthly retirement allowance shall be paid to a DROP account.

(c) *Duration.* The DROP period shall be elected by the policeman or fireman member but shall not exceed four (4) years.

(d) *Termination.* At the end of the DROP period, the policeman or fireman member's employment with the city shall terminate and the policeman or fireman member's DROP account balance shall be paid to the policeman or fireman member and the policeman or fireman member shall be considered to be a retired member for all purposes related to employment with the city. In the event the policeman or fireman member's employment is terminated prior to the end of the DROP period, the policeman or fireman member's DROP account balance shall be paid to the policeman or fireman member. In the event of a policeman or fireman member's death during the DROP period, City Code Section 37-72 shall apply.

(e) *Accidental Disability:* If a policeman or fireman member is retired on an accidental disability retirement allowance during the DROP period, at the policeman or fireman member's election, the policeman or fireman member will receive either:

- a. The accidental disability retirement benefit as if the policeman or fireman member had never participated in the DROP, forfeiting the policeman or fireman member's DROP account, or
- b. The normal service retirement allowance (calculated with years of creditable service up to the commencement of the policeman or fireman member's DROP participation date) in addition to the policeman or fireman member's DROP account balance.

Section 2:- That ordinance shall be in effect from and after January 1, 2015.